

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Investment Policies and Practices of Louisiana's State Retirement Systems

Staff Study
June 1994



Performance Audit Division

***Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor***

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State of Louisiana**

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June 22, 1994

Honorable Samuel B. Nunez, Jr.,
President of the Senate
Honorable John A. Alario, Jr.,
Speaker of the House of Representatives
and
Members of the Legislative Audit Advisory Council

Dear Legislators:

This is our staff study of the Investment Policies and Practices of Louisiana's State Retirement Systems. The four state retirement systems are Louisiana School Employees' Retirement System, Louisiana State Employees' Retirement System, State Police Pension and Retirement System, and Teachers' Retirement System of Louisiana. This staff study was conducted under the request of the House Budgetary Review Committee on Retirement and the Legislative Audit Advisory Council.

The staff study presents our findings on the investment practices of the four state retirement systems.

Sincerely,

A handwritten signature in cursive script that reads "Daniel G. Kyle".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DGK/jl

(LEGLTRI)



Office of Legislative Auditor

Executive Summary

Investment Policies and Practices of Louisiana's State Retirement Systems Staff Study

Objectives

The House Budgetary Review Committee on Retirement and the Legislative Audit Advisory Council directed the Legislative Auditor to study the investment policies and practices of Louisiana's four state retirement systems. The study focused on three objectives:

1. Compare the current investment policies of Louisiana's four systems.
2. For fiscal years 1992 and 1993, compare the investment professionals' performance and compensation by Louisiana's four systems.
3. For fiscal year 1992, compare rates of return and compensation practices of the four systems with consolidated retirement systems in other states.

Findings

1. The board of trustees of each of the four state retirement systems sets the investment policies. All four systems use similar procedures to hire external investment professionals and to monitor performance of those professionals. (Pages 9-17)
2. We found that higher investment expenses did not necessarily yield higher investment performance. Louisiana's four state retirement systems had relatively high rates of return when compared with consolidated retirement systems in 18 states we surveyed. However, investment expenses of the four systems were also among the highest for fiscal year 1992. (Pages 19-22)
3. We also found that fees paid to equity managers serving more than one Louisiana state retirement system varied greatly in fiscal years 1992 and 1993. (Pages 22-23)
4. For fiscal year 1992, Louisiana's four systems combined spent more for consultant and custodian fees than the amounts paid by retirement systems in other states with comparable or more assets. (Pages 24-27)

Chapter One: Introduction

Study Initiation and Objectives

In response to the performance audit titled Consolidation of the Administration of Louisiana's State Retirement Systems, the House Budgetary Review Committee on Retirement and the Legislative Audit Advisory Council directed the Legislative Auditor to do additional work relating to the investment policies and practices of Louisiana's four state retirement systems. The additional work was requested during the following three meetings:

- ◆ House Budgetary Review Committee on Retirement, January 4 and 20, 1994
- ◆ Legislative Audit Advisory Council, February 2, 1994

Based on our understanding of the committee proceedings at those three meetings, this study focused on the following three objectives:

- ◆ **Compare the current investment policies of Louisiana's four state retirement systems.**
- ◆ **For fiscal years 1992 and 1993, compare the investment professionals' performance and compensation by the four systems.**
- ◆ **For fiscal year 1992, compare rates of return and compensation practices of the four systems with the 18 consolidated retirement systems of other states we recently surveyed.**

Background

Louisiana has four state retirement systems which have a common mission of providing retirement benefits to their eligible members. These systems are:

- ◆ Teachers' Retirement System of Louisiana
- ◆ Louisiana State Employees' Retirement System
- ◆ Louisiana School Employees' Retirement System
- ◆ State Police Pension and Retirement System

These systems are described as follows with a brief description of funding, policymaking, administration, and investment management of the four systems.

Teachers' Retirement System of Louisiana. This system, established in 1936 by legislative act, serves public school teachers and school lunchroom employees. According to the system actuary's June 30, 1993, report, the Teachers' Retirement System, the largest public retirement system in Louisiana, provides services and benefits to 121,879 active and retired members. A 16-member board of trustees governs this retirement system.

Three other retirement systems have been merged into the Teachers' Retirement System over the years: the Orleans Parish Teachers' Retirement System in 1971; the Louisiana State University Retirement System in 1979; and the Louisiana School Lunch Employees' Retirement System in 1983.

Louisiana State Employees' Retirement System (LASERS). This system was established by an act of the Louisiana Legislature in 1946. The system actuary's June 30, 1993, report shows that the system provides services and benefits to 94,871 active and retired members. The membership consists of state employees, legislators, wildlife agents, corrections officers, judges, and court officials. The State Employees' Retirement System is governed by an 11-member board of trustees.

Louisiana School Employees' Retirement System. The Louisiana Legislature established this system in 1946. The system actuary's June 30, 1993, report shows that the system serves 22,356 active and retired members. Its membership consists of support staff at the state's public schools, which include school bus drivers, janitors, custodians, maintenance workers, and school bus aides and attendants. The School Employees' Retirement System is governed by a 10-member board of trustees.

State Police Pension and Retirement System. This retirement system, which serves only commissioned state police officers, was established by legislative act in 1938. The system actuary's June 30, 1993, report shows that the system serves 1,638 active and retired members. The system is governed by a nine-member board of trustees.

Funding. Employee and employer contributions and earnings from investments fund the four state retirement systems. With the exception of the School Employees' Retirement System, the retirement systems have not achieved 100 percent funding of their

accrued liabilities as shown in Exhibit 1-1 based on actuarial valuations.

Exhibit 1-1		
Unfunded Accrued Liability for the State Retirement Systems as of June 30, 1993		
Retirement System	Unfunded Accrued Liability	Percent Funded
Teachers	\$4,392,904,706	53.90%
State Employees	2,078,682,672	59.43%
School Employees	(50,510,915)	106.23%
State Police	183,417,969	24.10%
Source: Prepared by Legislative Auditor's staff from the June 30, 1993, reports of Hall Actuarial Associates, actuary to the retirement systems.		

Policymaking. Each of the four state retirement systems is independently governed by a board of trustees which is responsible for making administrative and investment policies. The state's involvement in policy decisions of these systems is through representation on the boards of trustees by certain state officials as ex-officio members.

If these retirement systems fail to meet their financial obligations, the state is ultimately responsible for meeting those financial obligations. Yet, the state currently has little oversight of these systems. At present, neither state law nor any board's policies require state retirement system board members to have any investment knowledge or experience.

Administration. Although the four state retirement systems have the same mission to provide basically the same types of services to their memberships, they do not coordinate their daily administrative functions with each other. The combined administrative expenses (excluding investment expenses) for the four systems in fiscal year 1992 were \$8.4 million, or \$35 per member.

Investment Management. Each of the four state retirement systems independently contracts with external investment professionals for investment services. The combined investment expenses for the four systems in fiscal year 1992 were \$12.6 million, or \$142,520 per \$100 million in system assets.

Scope and Methodology

As a result of findings presented in our previous performance audit report titled Consolidation of the Administration of Louisiana's State Retirement Systems, the House Budgetary Review Committee on Retirement and the Legislative Audit Advisory Council requested that we provide additional information on investment policies and practices of the four systems and other surveyed states. Therefore, this is a follow-up staff study and not a performance audit. The study focused only on those investment-related issues that address the concerns of the requesting legislative committees.

We did not audit the information that was provided to us by Louisiana's four state retirement systems. However, we verified some of the obtained information when necessary. Because of this limitation and the narrow scope of the study, the report does not make any conclusions or recommendations. We conducted exit conferences with each of the four state retirement systems to inform them of our findings and to give them an opportunity to make comments on our findings. However, we did not request written responses to our report from the four systems.

The fieldwork began in February 1994 and was completed in mid-March 1994. We used fiscal year 1992 information for comparative analysis because that was the time period used in our last audit. In some cases, when available and where applicable, we used information relative to other time periods as noted throughout the report.

We interviewed officials of the four state retirement systems. Our staff reviewed and analyzed documents pertaining to the investment management of the four state retirement systems. This included annual reports, financial statements, and investment policies and procedures.

Survey of consolidated state employees retirement systems in other states. To obtain investment-related information, we sent a follow-up questionnaire to the 18 states that we surveyed in our last audit:

Arizona	Maine	South Carolina
Colorado	Maryland	South Dakota
Georgia	Mississippi	Tennessee
Idaho	Nevada	Washington
Iowa	New Hampshire	West Virginia
Kansas	Rhode Island	Wisconsin

Some of these states provided only parts of information that we requested. In addition to the survey responses, we obtained information through telephone interviews and annual financial reports of the retirement systems surveyed. The survey included questions about investment policies, as well as performance and compensation of investment professionals for fiscal year 1992.

We analyzed the investment information from the other states and compared it with Louisiana's four state retirement systems. When necessary, we made follow-up calls and reviewed annual reports of the surveyed states to verify information about their retirement systems.

Report Organization

The remainder of this report is organized as follows:

- ◆ **Glossary** at the end of Chapter One provides an explanation for investment-related terms used in this report.
- ◆ **Chapter Two** discusses the investment policies of the four state retirement systems and compares them with the retirement systems in other states.
- ◆ **Chapter Three** compares the investment performance and compensation practices of the four state retirement systems with the retirement systems in other states.
- ◆ **Appendix A** compares investment expenses and rates of return of Louisiana's four state retirement systems with other states by types of investment for fiscal year 1992.
- ◆ **Appendix B** lists the rates of return and compensation for each investment professional of the four state retirement systems for fiscal years 1992 and 1993.
- ◆ **Appendix C** includes a copy of the investment survey sent to the four retirement systems and the other states.

Glossary

Basis Points	The smallest measure used in quoting yields on bonds and notes. Each basis point is one-hundredth of one percent.
Buying on the Margin or Leverage	Purchasing stocks on the margin means that an investor pays at least 50 percent of the purchase price, and the broker lends the remainder.
Call Option	A right to buy 100 shares of a particular stock or stock index (representative stock groupings) at a predetermined price before a preset deadline, in exchange for a premium paid to the seller or broker.
Core Managers	Core <i>equity</i> managers do not exhibit style bias, rather they emphasize security selection as a means of increasing the portfolio's return. Core <i>fixed income</i> managers attempt to achieve a superior return by investing in a particular sector or individual bonds.
Equity	Investments in common or preferred stock of a company.
Fixed Income	Investments that have a specified return in the form of interest for the investor, such as corporate or public bonds.
Floaters	A debt instrument with a variable interest rate tied to another interest rate. Floaters spread risk between issuers and debt-holders.
Futures Contract	A contractual obligation to buy or sell a specific amount of a commodity or financial instrument at a particular price on a stipulated future date.
Growth Managers	These managers invest in companies which have exhibited strong growth in earnings, with the hope that past earnings momentum will continue into the future.
Growth Stock	The stock of a corporation that has exhibited faster than average gains in earnings over the last few years and is expected to continue to show high levels of profit growth. Growth stocks tend to be riskier investments than slower growing or stagnant stocks and make little or no dividend payments to shareholders.

Large Cap	Capitalization of companies greater than \$5 billion.
Letter Securities	A stock or bond that is not registered with the Securities and Exchange Commission and therefore cannot be sold in the public market.
Market Capitalization	The value of a corporation as determined by the market price of its issued and outstanding common stock. Analysts look at market capitalization in relation to book, or accounting, value for an indication of how investors value a company's future prospects.
Mid Cap	Capitalization of companies at least \$1 billion, but less than \$5 billion.
Private Placement	Sale of stocks, bonds, or other investments directly to an institutional investor like an insurance company. A private placement does not have to be registered with the Securities and Exchange Commission, if the securities are purchased for investment as opposed to resale.
Rotational Manager	Managers using this style of management select stocks in certain industries depending on their perception of the economy and the time in the market cycle.
Short Sales of Stock	Sale of a borrowed security or commodity futures contract to take advantage of an anticipated decline in price.
Small Cap	Capitalization of companies less than \$1 billion.
Soft Dollar Broker	A method of paying brokerage firms for their services through commission revenue, rather than through direct payments, known as <i>hard-dollar fees</i> .
Time Weighted Rate of Return	The rate of return earned on a single dollar invested in the fund over a particular period. It includes income and changes in market value. It is widely accepted as the proper rate of return with which to analyze the performance of an investment manager and compare results.
Value Managers	In contrast to growth managers, value managers emphasize current valuation relative to earnings potential.

Chapter Two: Investment Policy

Boards of Trustees Are Responsible for Systems' Investment Policies

All four state retirement systems of Louisiana rely on their respective board of trustees to set the investment policies and guidelines. Each board receives advice from their respective system's consultant, but ultimately, the boards are responsible for approving all investment policies.

We reviewed the current investment policies of the four systems and interviewed officials of each system to further learn about their investment policies and practices. We found two statutory requirements regarding investment policies placed upon all four boards. First, the prudent-man rule, found in LSA-R.S. 11:263(C), states:

"The prudent-man rule shall require each fiduciary of a retirement system and each board of trustees acting collectively on behalf of each system to act with the care, skill, prudence, and diligence under the circumstances prevailing that a prudent institutional investor acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims."

The second statutory restriction, to be discussed later in this chapter, is found in LSA-R.S. 11:263(E). It states:

"Notwithstanding the prudent-man rule, no governing authority of any system or fund . . . shall invest more than **fifty-five percent** of the total portfolio in equities." (Emphasis added)

In the 18 other states we surveyed, investment policies of retirement systems are approved by retirement boards, investment boards, investment committees, or investment councils. The only exception to this we found is the South Carolina Retirement System where the State Treasurer approves the investment policies of the state retirement system. Exhibit 2-1 on the following page shows who is responsible for approving investment policies for each state we surveyed.

Exhibit 2-1 Responsibility for Investment Policies of Retirement Systems in Other States Fiscal Year 1992		
Retirement Board of Trustees	Investment Board/Committee/Council	State Treasurer
Georgia	Arizona	South Carolina
Idaho	Colorado	
Kansas	Iowa	
Maine	South Dakota	
Maryland	Washington	
Mississippi	Wisconsin	
Nevada		
New Hampshire		
Tennessee		
Source: Prepared by Legislative Auditor's staff using survey responses and the fiscal year 1992 annual reports of the consolidated retirement systems in other states surveyed.		
Note: Information for Rhode Island and West Virginia was not available.		

The Four Systems Have Similar Procedures for Hiring Investment Professionals

The boards of trustees of all four systems have the final authority in selecting investment professionals such as consultants, custodians, and investment managers. Three of the four state retirement systems use the request for proposal (RFP) process to hire investment professionals. The request for proposal process serves as a screening method and assures that investment professionals meet certain criteria established by the system.

The fourth one, the School Employees' Retirement System uses requests for proposal to contract investment managers and the invitation to bid (ITB) process for hiring consultants and custodians. According to an official of the retirement system, the invitation to bid process is used because there are fewer consultants and custodians. The fee negotiation and other details about the selection processes for the consultants, custodians, and managers are described on the next page.

Custodians. In terms of the fees paid to the custodians, the Teachers' Retirement System has negotiated a base price with fixed transfer fees added. The State Employees' Retirement System negotiates its fees once a custodian has been selected based on the size of the funds committed and the circumstances of the contract. The board of trustees for the School Employees' Retirement System has established a target range within which to negotiate. The State Police Retirement System examines what other custodians are being paid and pays the lowest fees it can within that range.

Consultants. In terms of fees, the Teachers' Retirement System sets up negotiations between the consulting firm, the staff, and representatives of the board. The initial base of negotiation is the fee structure contained in the request for proposal. As with the custodian, the State Employees' Retirement System looks at the size of the commitment of funds to the professional and the circumstances of the contract. The School Employees' Retirement System negotiates within a certain range established by the board of trustees. The State Police Retirement System looks at what other states pay for their consultants and pays comparable fees.

Investment Managers. All four systems base the direction to hire a certain number of investment professionals upon recommendations made by the consultant, asset allocations of the retirement system, and the total amount of money managed. All four systems use the request for proposal process to select the investment managers.

At the Teachers' Retirement System, if the board delegates selection of investment managers to a standing board committee, the committee's responsibility is limited to the review, interview, and selection process leading to a recommendation on whom to hire. The board makes the final decision on whom to hire. At the State Employees' Retirement System, all of the tasks involved in selecting investment managers are performed by the consultant, the investment committee of the board of trustees, and the retirement staff.

When hiring an investment manager, the School Employees' Retirement System looks at such things as whether they meet the established criteria, performance levels over the past five years, the amount of fees charged, and the overall stability of the firm. The State Police Retirement System usually interviews five firms. The prospective companies interview with an investment committee composed of three or four members of the board of trustees. They make a recommendation on whom to hire, and the board of trustees approves the selection.

According to officials at the four state retirement systems, each system negotiates for the lowest fees possible. The fee negotiations are based on the investment consultant's information and recommendations as well as what other systems are paying.

The Four Systems Have Similar Procedures for Monitoring Performance of Investment Professionals

Investment managers for three of the four systems have full discretion to make investments within the investment guidelines prescribed by the board. The State Police Retirement System, the School Employees' Retirement System, and the State Employees' Retirement System allow their investment managers complete discretion to invest in any vehicle they choose as long as it is within the retirement system's investment policy guidelines. The consultant and chief investment officer (Executive Director at the State Police Retirement System) of each retirement system monitors the performance of each manager to assure compliance with all policy guidelines.

The Teachers' Retirement System has a slightly different policy regarding the actual execution of investment transactions. At this retirement system, investment managers inform the system's chief investment officer what they desire to buy or sell. If this transaction is within the policy guidelines, the chief investment officer then makes the transaction.

All four systems monitor the performance of their investment professionals. All four systems have 30-day cancellation clauses in the contracts of all their investment professionals. These cancellation clauses can be invoked at any time. The following paragraphs briefly describe how each system monitors the performance of its custodians, consultants, and investment managers.

Custodians. The boards of trustees for all four state retirement systems monitor the performance of the custodian bank at least annually. In addition to this, the Teachers' Retirement System monitors the performance of its custodian banks on a monthly basis for timeliness and accuracy of reports and daily to monitor proper settlement of trades and cash balances available. The State Employees' Retirement System is in the process of switching to a single custodian bank. According to the system's chief investment officer, when this process is completed, they will set up specific

goals and objectives and begin to monitor performance on a regular basis.

Consultants. The board of trustees monitors the performance of the consultant at all four systems. At the State Employees' Retirement System, a formal evaluation of the consultant is conducted annually by the board and chief investment officer of the retirement system. Performance is also monitored on an ongoing basis by retirement system staff and the investment committee. In addition to this, staff at the Teachers' Retirement System monitors the consultants for compliance with their contracts and advises them on any deficiency.

Investment Managers. All four systems' consultants monitor and evaluate the performance of investment managers and report to the boards on a quarterly basis. The detailed procedures for monitoring and evaluating differ only slightly for each system. The investment policies of Louisiana's four state retirement systems set varying minimum expected rates of return for their systems. The expected rates of return are:

School Employees	Consumer Price Index + 3.3%
State Employees	Consumer Price Index + 3.0%
State Police	Consumer Price Index + 3.0%
Teachers	Consumer Price Index + 3.9%

In addition, each system's investment policy requires its investment managers to perform at a different level as compared to other investment managers within a certain investment style, such as domestic fixed income or foreign fixed income. For example, the State Employees' and Teachers' Retirement Systems require their investment managers to perform in the top half of their universe while the State Police Retirement System requires its investment managers to perform in the top third of their universe. The School Employees' Retirement System expects investment managers to perform in the top 40 percent of their universe.

The retirement systems in other states we surveyed also monitor the performance of their investment managers. This is usually done by the retirement system staff, the consultant, the board of trustees, or the investment committee. In South Carolina, the state treasurer serves as the investment manager of all the system's investments. Exhibit 2-2 on the following page lists who monitors investment managers' performance in other states.

Exhibit 2-2	
Performance Monitoring of Investment Managers of Retirement Systems in Other States Fiscal Year 1992	
States	Who Monitors the Performance
Arizona	Investment Advisor
Colorado	Investment Committee
Georgia	Investment Committee
Idaho	Staff and Consultant
Iowa	Staff, Investment Board, and Consultant
Kansas	Investment Staff
Maine	Consultant and Custodian
Maryland	Investment Staff
Mississippi	Consultant, Board of Trustees, and Finance Committee
Nevada	Staff and Consultant
New Hampshire	Consultant
South Carolina	State Treasurer serves as the Investment Manager
South Dakota	Investment Council
Tennessee	Board of Trustees
Washington	Investment Board Staff
Wisconsin	Executive Director
Source: Prepared by Legislative Auditor's staff using survey responses and the fiscal year 1992 annual reports of the consolidated retirement systems in other states surveyed.	
Note: Information for Rhode Island and West Virginia was not available.	

Louisiana Law Limits Equity Investments to 55 Percent of Total Assets

As mentioned earlier, LSA-R.S. 11:263(E) prohibits state retirement systems from investing more than 55 percent of their total portfolio in equities. The four retirement systems' investment policies comply with this law. However, they differ from each other in the target asset mix. Exhibit 2-3 on the following page shows the

target asset allocations of the four state retirement systems for fiscal year 1994. Ninety percent or more of the total assets is targeted to be invested in fixed income and equity-related securities. The remaining 10 percent is divided into alternative investments and short term/cash. Alternative investments may include real estate, capital market investments, private placements, derivatives, or options.

Exhibit 2-3				
Target Asset Allocations of Louisiana's State Retirement Systems Fiscal Year 1994				
Retirement System	Fixed Income	Equity	Alternative Investments	Short Term/ Cash
School Employees	60-65 %	35 %	0 %	0-5 %
State Employees	50 %	45 %	3 %	2 %
State Police	60 %	30 %	0 %	10 %
Teachers	40 %	50 %	5 %	5 %
Source: Prepared by Legislative Auditor's staff using investment policies of the four state retirement systems, which were in effect as of February 1994.				

Asset mix varied among states we surveyed. For fiscal year 1992, we compared the asset allocations of the four state retirement systems with those of other states' retirement systems surveyed. As shown in Exhibit 2-4 on the next page, all but two states had investments in both fixed income and equity-related securities. The consolidated state retirement systems in South Carolina and West Virginia had no equity investments. More than 90 percent of their assets were in fixed income. Only two retirement systems in other surveyed states had more than 55 percent of their total assets in equity-related investments. These states are Maine and Wisconsin; each had allocated nearly 56 percent of its total assets in equities.

Exhibit 2-4								
Comparison of Actual Asset Allocations of								
Louisiana's State Retirement Systems With Other States								
Fiscal Year 1992								
Louisiana/ Other States	Fixed - Domestic	Fixed - Foreign	Equity - Domestic	Equity - Foreign	Short Term	Venture Capital	Real Estate	Other
Louisiana								
School Employees	65.0%	0.0%	25.0%	0.0%	10.0%	0.0%	0.0%	0.0%
State Employees	52.5%	0.0%	31.8%	8.3%	4.4%	0.0%	3.0%	0.0%
State Police	61.2%	0.0%	27.0%	0.0%	11.8%	0.0%	0.0%	0.0%
Teachers	50.9%	0.2%	40.0%	2.1%	6.8%	0.0%	0.0%	0.0%
Other States								
Arizona	49.3%	0.0%	39.7%	4.1%	4.5%	0.0%	0.2%	2.1%
Colorado	32.3%	1.8%	41.6%	10.6%	3.6%	0.0%	3.4%	6.8%
Georgia*	50.0%	0.0%	47.3%	0.0%	2.6%	0.0%	0.1%	0.1%
Idaho	32.3%	0.0%	39.3%	10.0%	4.5%	0.0%	8.2%	5.7%
Iowa	29.5%	0.0%	29.2%	3.6%	6.1%	1.2%	7.2%	23.4%
Kansas	40.4%	5.8%	34.2%	6.7%	1.4%	0.0%	8.1%	3.4%
Maine	36.9%	0.0%	54.6%	1.1%	5.1%	0.0%	2.4%	0.0%
Maryland	58.1%	0.0%	37.7%	1.3%	1.2%	0.0%	1.7%	0.0%
Mississippi	54.1%	0.0%	38.7%	2.2%	5.0%	0.0%	0.0%	0.0%
Nevada	42.5%	2.7%	32.2%	7.3%	5.6%	0.5%	7.7%	1.5%
New Hampshire	28.1%	0.0%	48.9%	0.0%	12.9%	0.0%	2.2%	8.0%
Rhode Island	37.3%	0.0%	41.8%	3.4%	8.7%	4.9%	3.9%	0.0%
South Carolina	95.3%	0.0%	0.0%	0.0%	4.7%	0.0%	0.0%	0.0%
South Dakota	44.7%	0.0%	47.8%	1.3%	5.0%	0.0%	1.2%	0.0%
Tennessee	54.9%	4.5%	30.8%	3.4%	6.4%	0.0%	0.0%	0.0%
Washington	35.6%	0.0%	37.9%	1.0%	4.2%	1.7%	4.8%	14.8%
West Virginia*	95.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	4.5%
Wisconsin*	33.7%	3.6%	50.0%	5.8%	2.7%	0.2%	4.0%	0.0%
Source: Prepared by Legislative Auditor's staff using survey responses and the fiscal year 1992 annual reports of Louisiana's four state retirement systems and the consolidated retirement systems in other states surveyed.								
Note: *Assets are carried at book value.								

All four systems restrict certain types of investments. The board of trustees of each state retirement system in Louisiana has restricted certain types of investments. These restrictions are outlined in the investment policy guidelines of each retirement system. The types of restricted investments and specific details about them vary among the four retirement systems. Examples of restricted investments may include commodities, direct loans or extension lines of credits, futures, letter stocks, margin transactions, options, short sales, and unregistered securities.

Generally, the retirement systems in other states we surveyed did not specify what types of investments are restricted in their survey responses or annual reports. Instead, some of the systems in other states only said that they use the prudent person rule. Examples of restricted investments mentioned by retirement systems in other states include letter stock, savings and loans, short sales, companies doing business with South Africa, margin purchases, private or direct placement, transferable certificates of participation in business trusts and limited partnerships, investments in parties or individuals related to the retirement system, and five percent or more of the total assets invested in one company.

Chapter Three: Investment Performance and Expenses

Rates of Return

Louisiana's Rates of Return Ranked Favorably Compared With Surveyed States

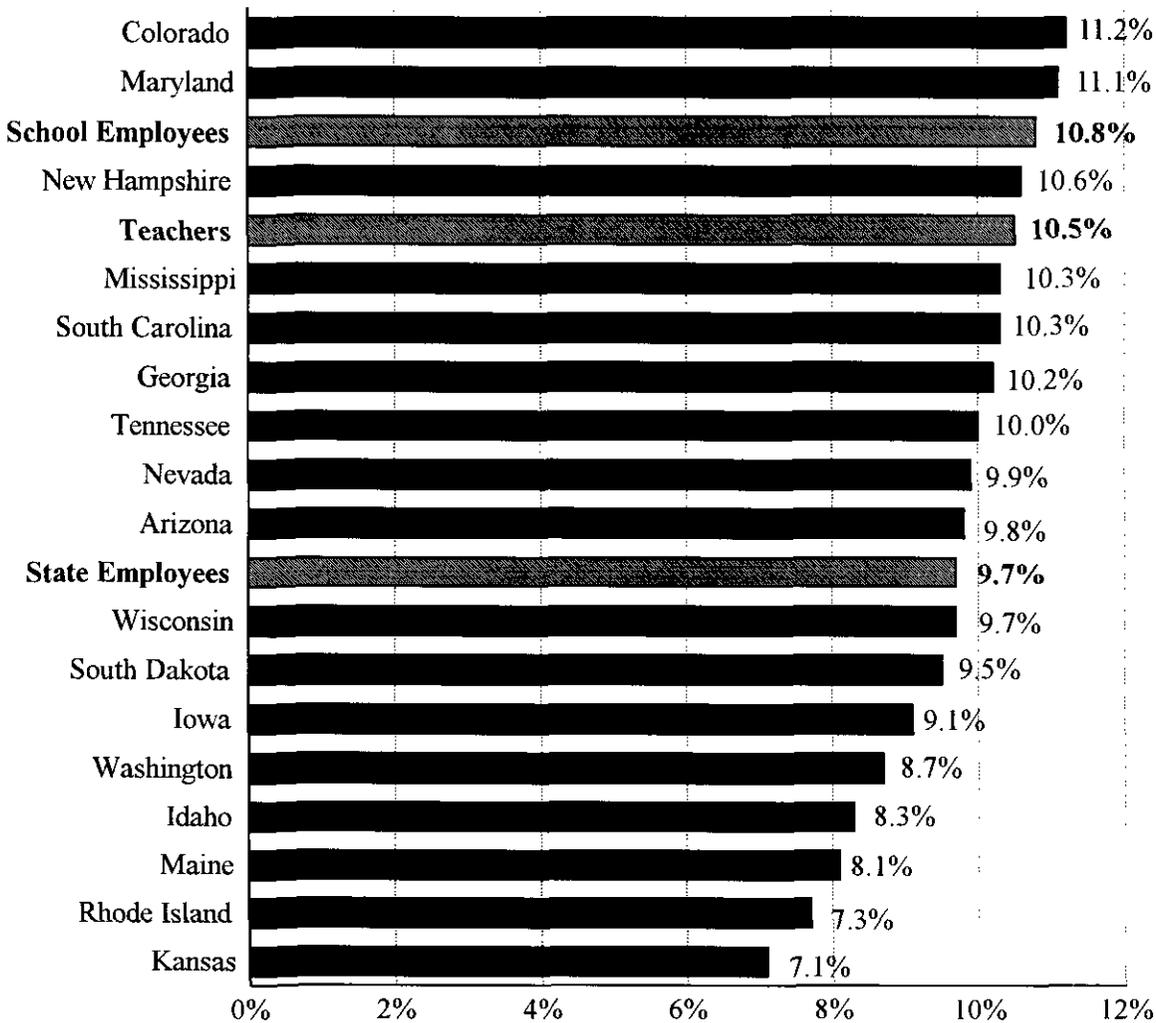
To compare the long-term investment performance of Louisiana's four systems with consolidated retirement systems in other states, we used five-year average rates of return on investments for fiscal years 1988 through 1992. The rates of return for Louisiana's systems ranked third (10.8% for School Employees), fifth (10.5% for Teachers), and twelfth (9.7% for State Employees). The five-year rate of return for the State Police Retirement System was not available.

The rates of return varied from 7.1 percent to 11.2 percent among Louisiana and the surveyed states as shown in Exhibit 3-1 on the following page. Appendix A (page A-1) lists rates of return of state retirement systems in Louisiana and 18 surveyed states for fiscal year 1988 through 1993.

Higher Investment Expenses Are Not Related to Higher Rates of Return

For fiscal year 1992, the rates of return of Louisiana's four state retirement systems ranked favorably when compared with other states surveyed. However, the four systems had relatively high investment expenses during the same period. As shown in Exhibit 3-2, we found no relationship between investment expenses and rates of return. Investment expenses primarily consist of fees and other compensation paid to investment managers, consultants, and custodians.

**Exhibit 3-1
Five-Year Average Rates of Return for
Retirement Systems in Other States and Louisiana**



Source: Prepared by Legislative Auditor's staff from survey responses received from consolidated retirement systems in other states and Louisiana's four state retirement systems for fiscal years 1988-1992.

Note: Information for Louisiana State Police Retirement System and West Virginia was not available.

Exhibit 3-2				
Investment Expenses and Rates of Return for Fiscal Year 1992				
State	Investment Expenses (per \$100 million of assets)	Rank (Lowest to Highest)	Fiscal Year 1992 Rate of Return	Rank (Highest to Lowest)
Maryland	\$64,979	5	15.1	1
Arizona	96,567	6	14.6	2
Teachers	132,147	9	14.5	3
Mississippi	142,808	11	14.0	4
School Employees	165,282	13	13.9	5
Tennessee	6,461	1	13.7	6
State Employees	163,116	12	13.6	7
New Hampshire	736,103	21	13.5	8
South Dakota	108,218	8	13.4	9
Wisconsin	25,540	3	13.2	10
Nevada	179,705	14	13.1	11
State Police	266,282	17	13.0	12
Maine	246,300	15	12.9	13
Kansas	389,958	19	12.8	14
Idaho	397,720	20	10.8	15
Georgia	40,730	4	9.9	16
South Carolina	Not Available	Not Available	9.9	17
Iowa	255,057	16	9.5	18
Washington	141,211	10	8.2	19
Colorado	16,206	2	6.4	20
Rhode Island	302,612	18	6.0	21
West Virginia	107,166	7	Not Available	Not Available

Source: Prepared by Legislative Auditor's staff from survey responses received from systems in other states and Louisiana's four state retirement systems for fiscal year 1992.

Note: Investment expenses per \$100 million of assets are calculated using book value assets.

For example, the Teachers' Retirement System had a 14.5 percent rate of return on its investments in fiscal year 1992 at the expense of \$132,147 per \$100 million in system's assets. On the other hand, Maryland and Arizona achieved comparable rates of return on their investments while having significantly less investment expenses. Maryland reported a 15.1 percent rate of return and \$64,979 per \$100 million of assets in investment expenses. Arizona reported a 14.6 percent rate of return and \$96,567 per \$100 million of assets in investment expenses.

As further shown in Exhibit 3-2, the fiscal year 1992 rate of return for the State Employees' Retirement System (13.6%) was comparable to that of Tennessee (13.7%) and New Hampshire (13.5%). However, during this period their investment expenses varied widely. The investment expenses per \$100 million in system assets were State Employees' Retirement System (\$163,116), Tennessee (\$6,461), and New Hampshire (\$736,103).

Another example in the same exhibit shows the rates of return for Colorado (6.4%) and Rhode Island (6.0%) ranked lowest among the states surveyed. However, Rhode Island's investment expenses for the same period were almost 19 times higher than Colorado's expenses. This highlights once again that the return on investments is not related to the investment expenses.

Investment Managers

The Same Investment Managers Were Paid Differently by Louisiana's State Retirement Systems

For fiscal years 1992 and 1993, we compared the fee structures, amounts of assets managed, and rates of return achieved by each investment manager for the four state retirement systems of Louisiana. This information is contained in Appendix B (pages B-3 to B-14). We found that fixed income managers serving more than one system were paid at the same rate. However, the rates paid to equity managers serving more than one system varied greatly as shown in Exhibit 3-3 and Exhibit 3-4 on the next page.

We were unable to compare rates of return and manager compensation of Louisiana's four systems with other states by investment classification because we did not have complete information. The information they provided is contained in Appendix A, pages A-2 through A-5.

Exhibit 3-3				
Comparison of Fees Paid to the Same Equity Managers by Louisiana's State Retirement Systems for Fiscal Year 1992				
	Assets Managed	Fees Paid	Basis Points	Rate of Return
Eagle Asset Management (Equity: Large Cap Growth)				
Teachers	\$250,767,488	\$425,241	17	13.9%
State Employees	219,600,000	202,663	10	11.0%
School Employees	72,007,000	170,131	25	18.6%
Schaenen Woods (Equity: Large Cap Growth)				
State Employees	\$48,900,000	\$138,435	29	11.1%
State Police	12,220,911	53,085	55	9.9%
Source: Prepared by Legislative Auditor's staff from information provided by the four state retirement systems of Louisiana.				

Exhibit 3-4				
Comparison of Fees Paid to the Same Equity Managers by Louisiana's State Retirement Systems for Fiscal Year 1993				
	Assets Managed	Fees Paid	Basis Points	Rate of Return
Eagle Asset Management (Equity: Large Cap)				
Teachers	\$296,864,250	\$478,646	17	18.4%
School Employees	101,716,310	231,241	25	17.9%
Fayez Sarofim (Equity: Large Cap Growth)				
State Employees	\$154,100,000	\$447,495	20-75	4.4%
State Police	6,914,435	11,500	35-75	Not Available
Schaenen Woods (Equity: Value)				
State Employees	\$54,200,000	\$150,303	29	10.8%
State Police	15,183,127	78,300	55	13.1%
State Street (Equity: Value)				
State Employees	\$184,300,000	\$437,925	20-30	16.9%
School Employees	102,357,408	267,595	30	18.5%
Source: Prepared by Legislative Auditor's staff from information provided by the four state retirement systems of Louisiana.				

Consultants

Louisiana's Four State Retirement Systems Combined Paid More in Consultant Fees Than Comparable Systems in Other States

Each of Louisiana's four state retirement systems contracts with an investment consultant to assist them with monitoring and evaluating the performance of their investment managers. As shown in Exhibit 3-5, Louisiana's four state retirement systems combined paid a total of \$395,488 in consultant fees in fiscal year 1992. This amount was two to four times more than the amounts paid by systems in other states with comparable or more assets for which consultant fee information was available. These states that paid less were Arizona, Colorado, Tennessee, and Washington. Appendix B (pages B-1 and B-2) lists fees paid to each consultant by Louisiana's four state retirement systems in fiscal years 1992 and 1993.

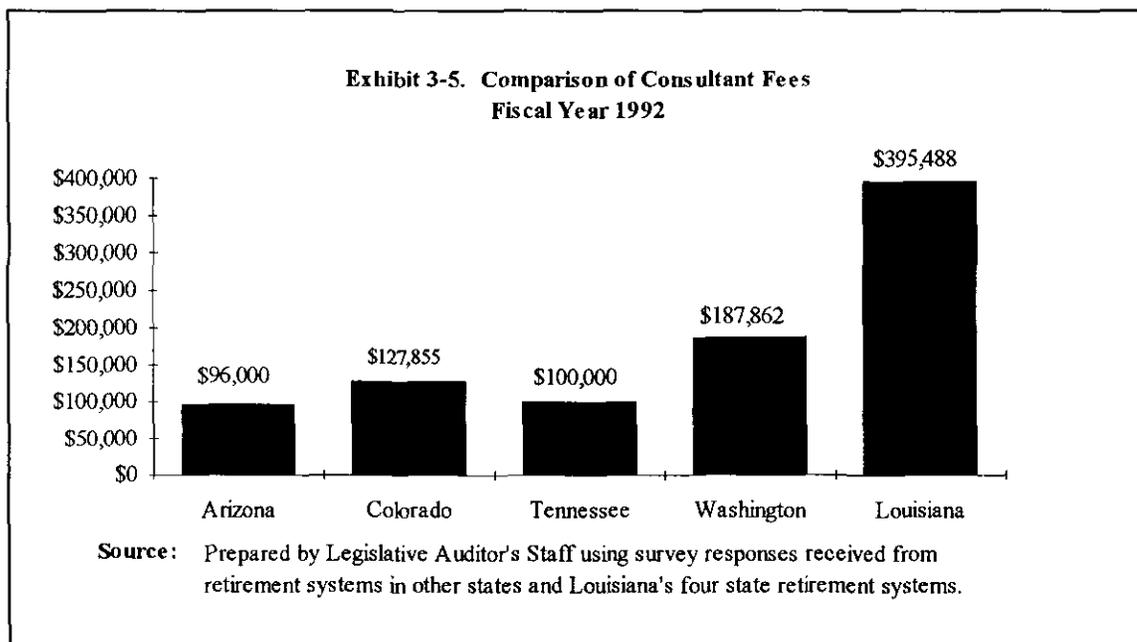


Exhibit 3-6 on the next page shows the consultant fees from the other states we surveyed ranged from a low of \$96,000 for one consultant in Arizona to a high of \$340,365 for three consultants in Kansas. The range of services offered by consultants could be a factor in the differences among their fees. Except in Maryland and South Dakota, all of the systems we surveyed in other states employed at least one outside investment consultant. In Maryland, the investment committee monitors internal investment managers and

the system's investment staff monitors external managers. South Dakota's Investment Council is responsible for the system's investment policy as well as the performance evaluations for investment managers.

Exhibit 3-6			
Comparison of Fees Paid to Investment Consultants by State Retirement Systems in Other States and Louisiana Fiscal Year 1992			
State	Total Assets (Book Value)	Number of Consultants	Total Fees
Louisiana Combined	\$8,824,441,039	4	\$395,488
Kansas	4,337,570,718	3	340,365
Iowa	6,035,603,905	2	323,333
Idaho	1,952,262,318	1	308,510
Washington	16,365,923,341	3	187,862
Nevada	4,284,797,518	1	180,000
Mississippi	6,184,524,000	1	147,000
Colorado	12,403,661,000	6	127,855
Maine	2,075,110,000	1	126,500
New Hampshire	1,761,008,655	1	122,500
Tennessee	9,905,275,000	1	100,000
Arizona	8,458,861,357	1	96,000
Maryland	12,761,070,000	0	0
South Dakota	1,802,861,461	0	0
South Carolina	9,683,791,000	1	Not Available
Wisconsin	22,943,200,000	4	Not Available
Source: Prepared by Legislative Auditor's staff from returned surveys and fiscal year 1992 annual reports.			
Note: Information for Georgia, Rhode Island, and West Virginia was not available.			

Custodians

Fees Paid to Custodians Varied Widely Among the State Retirement Systems Surveyed

As shown in Exhibit 3-7, Louisiana's four state retirement systems combined paid a total of \$943,593 to their seven custodians in fiscal year 1992. This amount was more than the four other states' retirement systems with comparable amounts or more in system assets for which custodian fee information was available-- Arizona, Tennessee, Washington, and Wisconsin.

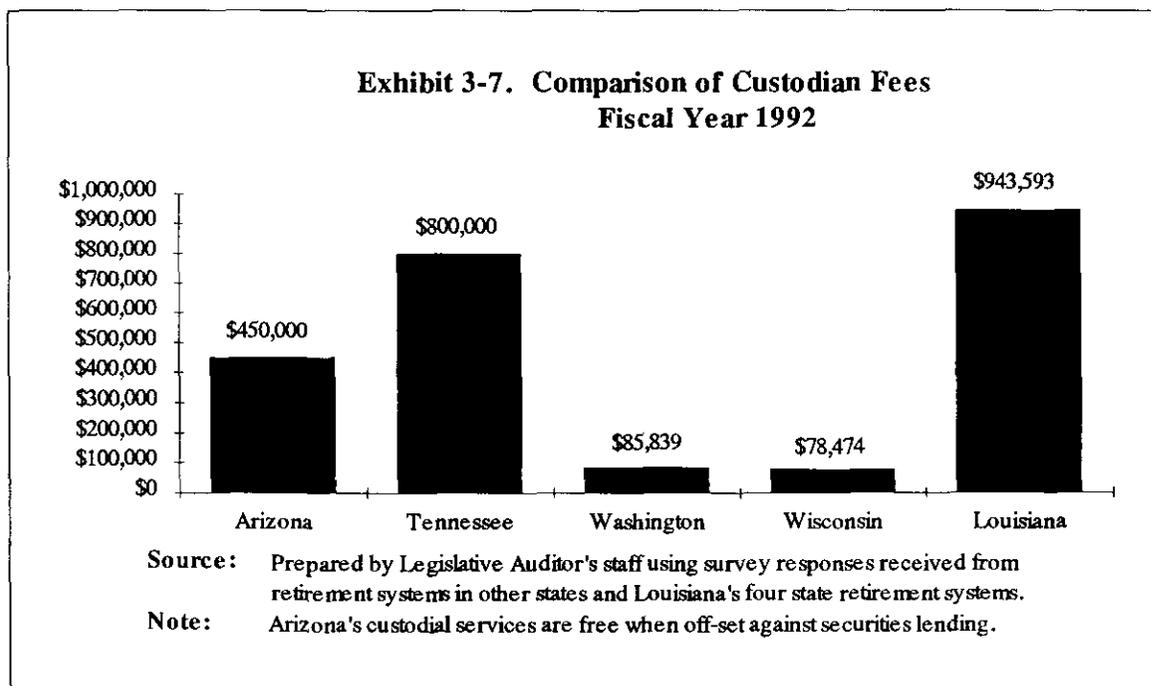


Exhibit 3-8 on the following page shows that custodian fees ranged from as low as \$78,474 in Wisconsin for two custodians to as high as \$1,727,000 in Mississippi for one custodian. The range of services offered by custodians could be a factor in the differences among their fees. Appendix B (pages B-1 and B-2) lists fees paid to each custodian by Louisiana's four systems in fiscal years 1992 and 1993.

Exhibit 3-8			
Comparison of Fees Paid to Investment Custodians by State Retirement Systems in Other States and Louisiana Fiscal Year 1992			
State	Total Assets (Book Value)	Number of Custodians	Fees Paid
Mississippi	6,184,524,000	1	1,727,000
Kansas	4,337,570,718	2	1,563,007
Iowa	6,035,603,905	1	1,104,309
Louisiana combined	\$8,824,441,039	7	\$943,593
New Hampshire	1,761,008,655	2	937,449
Tennessee	9,905,275,000	1	800,000
Arizona	8,458,861,357	1	450,000
Maine	2,075,110,000	1	394,868
Idaho	1,952,262,318	2	393,510
Nevada	4,284,797,518	1	295,695
South Dakota	1,802,861,461	2	276,754
Washington	16,365,923,341	1	85,839
Wisconsin	22,943,200,000	2	78,474
Maryland	12,761,070,000	1	Not Available
South Carolina	9,683,791,000	1	Not Available
Source: Prepared by Legislative Auditor's staff from returned surveys and fiscal year 1992 annual reports.			
Note: Information for Colorado, Georgia, Rhode Island, and West Virginia was not available.			

Appendixes

Appendix A

Comparison of Louisiana With Surveyed States' Investment Fees and Rates of Return Fiscal Year 1992

Annual Rates of Return on Investments Fiscal Years 1988 through 1993

State/System	1988	1989	1990	1991	1992	1993
Arizona	3.10%	14.33%	9.52%	7.99%	14.62%	16.74%
Colorado	11.80%	17.20%	1.50%	20.10%	6.40%	N/A
Georgia	10.84%	10.36%	10.60%	9.10%	9.91%	N/A
Idaho	0.40%	13.80%	10.50%	6.60%	10.80%	13.00%
Iowa	5.50%	13.90%	8.40%	8.40%	9.50%	10.32%
Kansas	-0.60%	12.00%	12.10%	0.30%	12.80%	14.70%
Maine	-1.07%	13.25%	10.02%	6.14%	12.90%	15.49%
Maryland	6.60%	16.20%	8.90%	9.00%	15.10%	15.80%
Mississippi	3.40%	14.80%	10.40%	9.40%	14.00%	12.20%
Nevada	4.74%	13.70%	9.48%	8.91%	13.14%	11.41%
New Hampshire	-1.90%	17.00%	16.80%	9.00%	13.50%	14.40%
Rhode Island	8.60%	8.50%	6.70%	6.67%	6.00%	N/A
South Carolina	10.51%	10.35%	10.57%	10.15%	9.89%	9.77%
South Dakota	8.00%	14.20%	3.00%	9.30%	13.40%	15.20%
Tennessee	2.00%	15.30%	11.60%	7.80%	13.70%	N/A
Washington	4.20%	13.50%	8.30%	9.50%	8.20%	13.40%
West Virginia	N/A	N/A	N/A	N/A	N/A	N/A
Wisconsin	5.10%	16.70%	7.10%	6.70%	13.20%	14.20%
School Employees	8.80%	11.90%	10.50%	9.00%	13.90%	12.70%
State Employees	2.60%	13.90%	9.60%	9.43%	13.56%	10.10%
State Police	N/A	N/A	N/A	N/A	13.00%	10.10%
Teachers	3.30%	16.00%	9.80%	9.50%	14.50%	13.90%

Source: Prepared by Legislative Auditor's staff using information received from state retirement systems in Louisiana and other states.

Note: N/A = Not Available.

Retirement Systems With Internally Managed Assets Fiscal Year 1992

State	Types of Assets Managed Internally	Number of Managers	Percent of Total Assets	Rate of Return
Maryland	Domestic fixed income	1	47.9%	17.2%
	Domestic equities	1	7.8%	13.0%
	Short-term	1	1.2%	4.4%
Mississippi	Short-term	1	5.0%	4.9%
South Carolina	Fixed income and Short-term	N/A	100.0%	9.9%
South Dakota	Domestic fixed income	2	44.7%	16.3%
	Domestic equities	3	47.8%	12.4%
	Short-term	1	5.0%	5.1%
Tennessee	Domestic fixed income	3	54.9%	15.7%
	Foreign fixed income	1	4.5%	26.6%
	Domestic equities	3	30.8%	12.2%
	Foreign equities	2	3.4%	3.7%
	Short-term	1	6.4%	5.2%
Washington	Domestic fixed income	3	35.6%	15.0%
	Short-term	1	4.2%	6.6%
Wisconsin	Domestic fixed income	3	33.7%	9.4%
	Foreign fixed income	2	3.6%	12.3%
	Domestic equities	6	50.0%	12.9%
	Foreign equities	1	5.8%	28.1%
	Short-term	1	2.7%	6.2%
	Real estate	1	4.0%	1.0%
	Venture capital	1	0.2%	6.9%
Louisiana State Employees	Domestic fixed income	1	21.3%	14.4%

Source: Prepared by Legislative Auditor's staff using information received from state retirement systems in Louisiana and other states.

Note: The School Employees', the State Police, and the Teachers' state retirement systems in Louisiana as well as in Arizona, Idaho, Iowa, Kansas, Maine, Nevada, and New Hampshire did not have internally managed investments in 1992. The information for Colorado, Georgia, Rhode Island, and West Virginia was not available.
N/A = Not Available.

**Investment Fees and Rates of Return for
External Fixed Income Managers
Fiscal Year 1992**

State	Asset Class	Asset Amount	Number of Managers	Fees Paid	Fees per \$10 Million in Assets	Rate of Return
Arizona	Domestic	\$4,628,018,216	12	N/A		7.5%
Idaho	Domestic	866,200,000	4	N/A		14.2%
Iowa	Domestic	2,521,561,571	6	\$2,899,394	\$11,498	16.9%
Kansas	Domestic	1,798,114,727	4	2,960,144	16,462	17.2%
	Foreign	256,390,947	1	368,698	14,380	28.9%
Maine	Domestic	908,522,993	4	967,138	10,645	14.8%
Maryland	Domestic	1,480,500,000	5	N/A		N/A
Mississippi	Domestic	3,344,662,511	7	3,002,040	8,976	14.4%
Nevada	Domestic	2,154,989,000	4	2,630,364	12,206	15.1%
	Foreign	121,537,000	1	429,249	35,318	26.5%
New Hampshire	Domestic	N/A	4	919,311		N/A
	Foreign	N/A	N/A	N/A	N/A	N/A
Wisconsin	Foreign	468,000,000	5	N/A		8.9%
Louisiana Combined		4,602,866,514	14	3,731,531	8,107	N/A
School Employees	Domestic	584,420,000	4	618,321	10,580	15.1%
State Employees	Domestic	1,508,700,000	3	431,327	2,859	N/A
State Police	Domestic	33,023,695	1	29,150	8,827	16.6%
Teachers	Domestic	2,476,722,819	6	2,652,733	10,711	N/A

Source: Prepared by Legislative Auditor's staff using information received from state retirement systems in Louisiana and other states.

Note: The consolidated state retirement systems in South Carolina, South Dakota, Tennessee, and Washington had no externally managed fixed income assets in 1992. The information for Colorado, Georgia, Rhode Island, and West Virginia was not available.

N/A = Not Available.

Comparison of Investment Fees and Rates of Return for External Equity Managers, Fiscal Year 1992

State	Asset Class	Asset Amount	Number of Managers	Fees Paid	Fees per \$10 Million in Assets	Rate of Return
Arizona	Domestic	\$4,308,844,546	5	N/A		2.9%
	Foreign	527,985,820	6	N/A		N/A
Idaho	Domestic	898,600,000	8	N/A		12.4%
	Foreign	204,600,000	6	N/A		6.8%
Iowa	Domestic	1,657,159,053	4	\$2,632,639	\$15,886	12.0%
	Foreign	247,757,749	4	839,412	33,880	5.7%
Kansas	Domestic	1,521,841,037	6	4,377,910	28,767	15.1%
	Foreign	299,824,592	2	1,149,432	38,337	2.7%
Maine	Domestic	1,344,060,850	7	4,536,601	33,753	15.0%
	Foreign	27,939,684	3	738,119	264,183	-0.3%
Maryland	Domestic	4,287,900,000	8	N/A		N/A
	Foreign	191,500,000	4	N/A		N/A
Mississippi	Domestic	2,340,144,856	7	3,362,890	14,370	13.7%
	Foreign	145,993,224	3	645,274	44,199	11.20%
Nevada	Domestic	1,520,040,000	4	1,601,906	10,539	12.75%
	Foreign	333,826,000	1	322,140	9,650	1.85%
New Hampshire	Domestic	N/A	10	3,888,748		N/A
	Foreign	N/A	N/A	N/A	N/A	N/A
South Dakota	Domestic	40,375,291	3	559,350	138,538	N/A
	Foreign	22,111,829	1	205,172	92,788	9.6%
Washington	Domestic	6,235,517,000	9	6,048,674	9,700	14.3%
	Foreign	155,529,000	1	729,603	46,911	6.7%
Wisconsin	Domestic	1,259,000,000	1	N/A		13.3%
	Foreign	720,000,000	4	N/A		15.3%
Louisiana Combined	Both	3,594,594,767	26	7,401,360	20,590	N/A
School Employees	Domestic	231,102,000	4	552,933	23,926	13.7%
State Employees	Domestic	1,044,300,000	10	2,840,440	27,199	15.7%
	Foreign	238,400,000	2	385,429	16,167	N/A
State Police	Domestic	12,220,911	1	53,085	43,438	9.9%
Teachers	Domestic	1,963,483,743	7	3,059,528	15,582	N/A
	Foreign	105,088,113	2	509,945	48,525	N/A

Source: Prepared by Legislative Auditor's staff using information received from state retirement systems in Louisiana and other states.

Note: The consolidated state retirement systems in South Carolina and Tennessee had no externally managed equity assets in 1992. The information for Colorado, Georgia, Rhode Island, and West Virginia was not available. N/A = Not Available.

Investment Fees and Rates of Return for External Managers of Other Types of Investment, Fiscal Year 1992

State	Asset Class	Asset Amount	Number of Managers	Fees Paid	Fees per \$10 Million in Assets	Rate of Return
Arizona	Short-term	\$259,328,607	21	\$109,640	\$4,228	N/A
	Mortgages	250,000,000	1	205,849	8,234	N/A
Idaho	Short-term	27,300,000	1	N/A		5.10%
	Real Estate	172,000,000	7	N/A		-6.00%
Iowa	Short-term	78,960,110	N/A	N/A		6.10%
	Real Estate	435,367,058	4	4,151,807	95,363	-23.80%
	Venture Capital	72,569,115	14	2,740,997	377,708	22.60%
	Leverage Buyout	513,809,947	5	6,101,607	118,752	2.80%
	Tactical	645,821,144	1	1,269,110	19,651	16.00%
Kansas	Short-term	60,482,244	1	362,800	59,985	9.00%
	Real Estate	360,836,721	3	1,992,278	55,213	-13.30%
	Direct Placements	152,558,995	2	2,826,452	185,269	26.50%
Maine	Short-term	124,732,645	1	55,704	4,466	6.1%
	Real Estate	58,362,685	2	183,510	31,443	-0.4%
Maryland	Real Estate	237,500,000	4	N/A		-9.9%
	Venture Capital	5,000,000	1	N/A		N/A
Nevada	Real Estate	350,184,000	7	2,268,998	64,794	1.45%
	Venture Capital	22,296,000	1	122,165	54,792	35.95%
	Mortgages	69,004,000	1	325,635	47,191	12.35%
New Hampshire	Real Estate	N/A	1	537,400		N/A
	Alternative	N/A	17	1,946,486		N/A
South Dakota	Real Estate	20,543,191	2	N/A		N/A
Washington	Real Estate	792,742,000	11	N/A		-35.60%
	Venture Capital	285,696,000	12	N/A		-11.00%
	Leverage Buyout	1,354,569,000	1	10,500,000	77,515	-0.20%
	Tactical	1,067,291,000	2	2,203,740	20,648	19.00%
Louisiana Combined		92,332,527	9	413,397	44,773	N/A
State Employees	Real Estate	87,000,000	8	413,397	47,517	-3.02%
State Police	Short-term	5,332,527	1	0	0	4.5%

Source: Prepared by Legislative Auditor's staff using information received from state retirement systems in Louisiana and other states.

Note: The Louisiana's School Employees' and Teachers' retirement systems as well as the consolidated state retirement systems in Mississippi, South Carolina, Tennessee, and Washington had no other types of externally managed assets in 1992. The information for Colorado, Georgia, Rhode Island, and West Virginia was not available. N/A = Not Available.

Appendix B

**Louisiana State Retirement Systems'
Investment Fees and Rates of Return
Fiscal Years 1992 and 1993**

Consultant Fees and Descriptions for Fiscal Year 1992

System	Name of Consultant	Fee
Teachers' Retirement System	Holbein Associates, Inc.	\$108,000
State Employees' Retirement System	Callan and Associates	128,113
School Employees' Retirement System	SEI, Inc.	142,500
State Police Pension and Retirement System	Paine Webber	16,875
	Total	\$395,488

Consultant Fees and Descriptions for Fiscal Year 1993

System	Name of Consultant	Fee
Teachers' Retirement System	Holbein Associates, Inc.	\$96,000
State Employees' Retirement System	Callan and Associates	129,150
School Employees' Retirement System	SEI, Inc. (until 2/28/93)	95,000
	The Washington Hackett Co. (after 3/1/93)	20,000
State Police Pension and Retirement System	Paine Webber	20,000
	Total	\$360,150

Custodian Fees and Descriptions for Fiscal Year 1992

System	Name of Custodian	Fee
Teachers' Retirement System	The Chase Manhattan Bank (International)	\$215,000
	City National Bank	168,091
State Employees' Retirement System	The Bank of New York (fixed income/global)	115,277
	Premier Bank (real estate)	28,873
School Employees' Retirement System	Custodial Trust Company (equities)	247,915
	Hibernia National Bank (until 10/31/91)	37,700
	City National Bank (after 11/1/91)	112,739
State Police Pension and Retirement System	Premier Bank and Trust	17,998
	Total	\$943,593

Custodian Fees and Descriptions for Fiscal Year 1993

System	Name of Custodian	Fee
Teachers' Retirement System	The Chase Manhattan Bank (international)	\$312,143
	City National Bank (domestic)	318,850
State Employees' Retirement System	Bank of New York (fixed income/global)	435,669
	Custodial Trust Company (equities)	237,726
	Premier Bank (real estate)	24,652
School Employees' Retirement System	City National Bank	169,108
State Police Pension and Retirement System	Premier Bank and Trust	18,387
	Total	\$1,516,535

Consultant Fees and Descriptions for Fiscal Year 1992

Fee Description	Payment Procedure
Annual contract	monthly
Fee for service	monthly in arrears
Commission Recapture/Directed/Soft Dollar	quarterly
Hard dollar	quarterly

Consultant Fees and Descriptions for Fiscal Year 1993

Fee Description	Payment Procedure
Annual contract	monthly
Fee for service	monthly in arrears
Commission Recapture/Directed/Soft Dollar	quarterly in arrears
\$80,000 Annually	quarterly
Hard dollar	quarterly

Custodian Fees and Descriptions for Fiscal Year 1992

Fee Description	Payment Procedure
Base fee and transaction costs	monthly
Base fee and transaction costs	monthly
Domestic: \$73,200 annually; Global: 10 to 35 basis points varying by nation	monthly in arrears
Up to \$750m=.025%; next \$250m=.02%; next \$46,453,811=.018%; next \$453,546,189=no charge; next \$250m=.016%; next \$250m=.014%	monthly in arrears
Flat 1.5 basis points of assets and \$25 per transaction	monthly in arrears
Basis point fee and flat fee for service	quarterly
Basis point fee with maximum not to exceed \$95,500 except transactions fees	quarterly
Up to \$5 m = .15 %; next \$5m = .075 %; above \$10m = .025 %	quarterly

Custodian Fees and Descriptions for Fiscal Year 1993

Fee Description	Payment Procedure
Annual contract	quarterly
Annual contract	monthly
Domestic: \$73,200 annually; Global: 10 to 35 bp varying by nation	monthly in arrears
Flat 1.5 basis points of assets and \$25 per transaction	monthly in arrears
Up to \$750m=.025%; next \$250m=.02%; next \$46,453,811=.018%; next \$453,546,189=no charge; next \$250m=.016%; next \$250m=.014%	monthly in arrears
Basis points up to \$95,500, plus transaction costs	quarterly
Up to \$5 m = .15 %; next \$5m = .075 %; above \$10m = .025 %	quarterly
Note: m = million	

**Investment Manager Fees and Descriptions for
Teachers' Retirement System of Louisiana, Fiscal Year 1992**

	Investment Managers	Assets under Management at July 1, 1991 (Market Value)	Assets under Management at June 30, 1992 (Market Value)	Total Fees through 6/30/92	Rate of Return for FY 1992
Fixed Income					
1	Boatmen's Trust Co.	\$462,109,744	\$547,748,084	\$579,393	18.40%
2	Hibernia Bank (1)	113,171,040	0	32,661	n/a
3	Criterion Investment Mgmt	477,304,615	556,482,022	585,080	14.90%
4	Morgan Stanley Asset Mgmt	479,214,749	551,104,424	584,216	14.90%
5	Scudder, Stevens and Clark	483,841,095	557,595,182	593,375	15.00%
6	Kemper Asset Mgmt	226,864,286	263,793,107	278,008	16.00%
	subtotal	\$2,242,505,529	\$2,476,722,819	\$2,652,733	
Domestic Equity					
1	Sun Bank Capital Mgmt	\$284,692,228	\$319,248,294	\$545,706	12.20%
2	Eagle Asset Mgmt, Inc.	219,889,959	250,767,488	425,241	13.90%
3	Investment	236,802,972	274,967,462	400,668	16.10%
4	Invesco MIM, Inc.	479,366,775	535,359,985	780,363	11.70%
5	Harris Bretall Sullivan and Smith	123,529,981	234,359,742	376,790	9.80%
6	Palley-Needelman Asset Mgmt	110,343,531	129,816,067	212,891	18.70%
7	Smith Barney, Inc.	191,674,530	218,964,705	317,869	14.20%
	subtotal	\$1,646,299,976	\$1,963,483,743	\$3,059,528	
International Equity					
1	Scudder, Stevens and Clark	\$47,938,627	\$54,025,922	\$273,616	13.20%
2	Batterymarch Financial Mgmt	47,393,954	51,062,191	236,329	8.20%
	subtotal	\$95,332,581	\$105,088,113	\$509,945	
	Total	\$3,984,138,086	\$4,545,294,675	\$6,222,206	

(1) Terminated Hibernia 12/31/91 and transferred \$100 million to Harris Bretall.

Note: All investment managers are paid a base management fee. No other fees were paid.

Investment Manager Fees and Descriptions for Teachers' Retirement System of Louisiana, Fiscal Year 1992		
Types of Investments, Asset Style or Classification	Fee Description	Payment Procedures
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Large cap growth	flat 17 basis points	quarterly in arrears
Large cap growth	flat 17 basis points	quarterly in arrears
Large cap value	flat 15 basis points	quarterly in arrears
Large cap value	flat 15 basis points	quarterly in arrears
Large cap growth	flat 17 basis points	quarterly in arrears
Large cap value	flat 17 basis points	quarterly in arrears
Large cap value	flat 15 basis points	quarterly in arrears
International equities	flat 45 basis points	quarterly in arrears
International equities	flat 45 basis points	quarterly in arrears

**Investment Manager Fees and Descriptions for
Teachers' Retirement System of Louisiana, Fiscal Year 1993**

	Investment Managers	Assets under Management at July 1, 1992 (Market Value)	Assets under Management at June 30, 1993 (Market Value)	Total Fees through 6/30/93	Rate of Return for FY 1993
Fixed Income					
1	Boatmen's Trust Co. (1)	\$532,748,084	\$605,477,372	\$627,629	19.90%
2	Criterion Investment Mgmt (2)	345,285,482	406,452,648	425,666	14.80%
3	Morgan Stanley Asset Mgmt (1)	536,104,424	567,645,763	608,019	11.70%
4	Scudder, Stevens and Clark (1)	542,595,182	584,831,127	627,504	14.60%
5	Kemper Asset Mgmt	263,793,107	295,355,869	312,035	11.90%
	subtotal	\$2,220,526,279	\$2,459,762,779	\$2,600,853	
Large Capitalization Domestic Equity					
1	Sun Bank Capital Mgmt	\$319,248,294	\$351,582,516	\$589,762	10.10%
2	Eagle Asset Mgmt, Inc.	250,767,488	296,864,250	478,646	18.40%
3	Invesco MIM, Inc. (3)	535,359,985	490,153,749	751,075	6.50%
4	The Boston Co. Institutional Invest	274,967,462	372,781,052	465,874	17.40%
5	Palley-Needelman Asset Mgmt	129,816,067	325,917,986	336,022	11.10%
6	Harris Bretall Sullivan and Smith	234,359,742	303,837,943	474,415	14.80%
7	Smith Barney (4)	218,964,705	0	326,252	13.80%
	subtotal	\$1,963,483,743	\$2,141,137,496	\$3,422,046	
Small to Mid-sized Capitalization Domestic Equity					
1	The Putnam Co.	\$50,000,000	\$77,139,465	\$207,200	14.40%
2	Scudder, Stevens and Clark	50,000,000	85,344,037	244,195	30.70%
3	Trust Co. of the West	50,000,000	83,750,573	244,555	27.30%
4	Moran Asset Mgmt	50,000,000	72,275,236	161,652	4.40%
5	Alliance Capital Mgmt	50,000,000	75,885,135	159,142	11.60%
	subtotal	\$250,000,000	\$394,394,446	\$1,016,744	
International Equity					
1	Batterymarch Financial Mgmt	\$51,062,191	\$115,187,070	\$298,032	12.10%
2	Scudder, Stevens and Clark	54,025,922	112,462,364	300,198	6.70%
	subtotal	\$105,088,113	\$227,649,434	\$598,230	
	Total	\$4,539,098,135	\$5,222,944,155	\$7,637,873	

(1) Withdrew \$15 million from Boatmen's; Morgan Stanley; and Scudder, Stevens and Clark on 07/01/93

(2) Withdrew \$200 million from Criterion 07/01/93

(3) Invesco terminated 12/31/93

(4) Smith Barney terminated 06/01/93

Note: All investment managers are paid a base management fee. No other fees were paid.

Investment Manager Fees and Descriptions for Teachers' Retirement System of Louisiana, Fiscal Year 1993		
Types of Investments, Asset Style or Classification	Fee Description	Payment Procedures
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Global fixed income	flat 11 basis points	quarterly in arrears
Global fixed income	flat 11 basis points	quarterly in arrears
Large cap growth	flat 17 basis points	quarterly in arrears
Large cap growth	flat 17 basis points	quarterly in arrears
Large cap value	flat 15 basis points	quarterly in arrears
Large cap value	flat 15 basis points	quarterly in arrears
Large cap value	flat 16 basis points	quarterly in arrears
Large cap growth	flat 17 basis points	quarterly in arrears
Large cap value	flat 15 basis points	quarterly in arrears
Small cap value	flat 37.5 basis points	quarterly in arrears
Small cap growth	flat 37.5 basis points	quarterly in arrears
Small cap growth	flat 37.5 basis points	quarterly in arrears
Mid cap value	flat 25 basis points	quarterly in arrears
Mid cap growth	flat 25 basis points	quarterly in arrears
International equities	flat 29 basis points	quarterly in arrears
International equities	flat 29 basis points	quarterly in arrears

**Investment Manager Fees and Descriptions for
Louisiana State Employees' Retirement System, Fiscal Year 1992**

	Investment Managers	Assets under Management at July 1, 1991 (Market Value)	Assets under Management at June 30, 1992 (Market Value)	Total Fees through 6/30/92	Rate of Return for FY 1992
Fixed Income					
1	Duff and Phelps	\$524,500,000	\$595,600,000	\$129,000	14.82%
2	Denver Investment Advisors (2)	258,400,000	0	89,358	n/a*
3	Invesco Capital Mgmt	262,000,000	300,500,000	212,969	14.78%
	Internally Managed	540,100,000	612,600,000	0	14.44%
	subtotal	\$1,585,000,000	\$1,508,700,000	\$431,327	
Domestic Equity					
1	Amerindo Investment Advisors	\$48,400,000	\$70,800,000	\$681,135	46.14%
2	Boston Company, Inc. (2)	235,000,000	0	113,750	n/a*
3	Eagle Asset Management	197,800,000	219,600,000	202,663	11.00%
4	Fayez Sarofim and Co.	0	149,000,000	404,363	n/a*
5	Investment Advisors	0	133,700,000	392,490	n/a*
6	J and W Seligman and Co.	0	71,600,000	225,689	n/a*
7	Merus Capital Mgmt	93,700,000	109,000,000	115,507	16.39%
8	Schaenen, Woods and Assoc.	44,000,000	48,900,000	138,435	11.11%
9	State Street	0	156,000,000	195,995	n/a*
10	UBS Asset Mgmt	0	85,700,000	370,413	n/a*
11	CTC Transition Account	200,100,000	0	0	n/a*
	subtotal	\$819,000,000	\$1,044,300,000	\$2,840,440	
International Equity					
1	Brinson Partners	\$0	\$115,600,000	\$174,692	n/a*
2	Templeton Investment	0	122,800,000	210,737	n/a*
	subtotal	\$0	\$238,400,000	\$385,429	

(2) Boston and Denver were terminated; funds redistributed to State Street, Templeton, and Brinson.

*Not available in annualized form (new allocation, etc.)

Note: All investment managers are paid a base management fee only. No other expenses were paid.

Investment Manager Fees and Descriptions for State Employees' Retirement System of Louisiana, Fiscal Year 1992		
Types of Investments, Asset Style or Classification	Fee Description	Payment Procedures
Core fixed income	\$129,000 on assets up to \$350m; over \$350m=4 basis points	monthly in arrears
Core fixed income	flat 8 basis points	monthly in arrears
Core fixed income	flat 8 basis points	monthly in arrears
Fixed income/mortgages	included in custodial fees	n/a
Small cap growth equity	100 basis points in mkt value paid in arrears	quarterly in arrears
Large cap value	\$20,000 per month 7/01/91 through 9/30/91; monthly rate of \$18,750 thereafter until 6/30/92	monthly in arrears
Large cap growth equity	\$12,500 per month before 10/01/91; flat 10 basis points after 10/01/91	monthly in arrears
Large cap growth equity	up to \$2m=75 basis points; next \$18m=50 basis points; next \$20m=35 basis points; over \$60m=20 basis points; 5% discount	quarterly in arrears
Small cap growth equity	up to \$50m=10 basis points; next \$50m=8.75 basis points; over \$100m=6.25 basis points	quarterly in arrears
Large cap equity	up to \$200m=30 basis points	quarterly in advance
Yield equity	flat 10 basis points	monthly in arrears
Value equity	flat 29 basis points not to exceed \$1.5 million over a five year period	quarterly in arrears
Value equity	first \$50m=30 basis points; next \$100m=25 basis points; 20 basis points on the balance	average monthly
Small cap value equity	up to \$25m=75 basis points; and 60 basis points thereafter	quarterly in arrears
Short-term/liquidation fund	n/a	n/a
Core equity	40 basis points paid in arrears	quarterly in arrears
Core equity	up to \$100m=50 basis points; next \$50m=35 basis points; and 30 basis points thereafter	quarterly in advance
	m = million	n/a = not available

Investment Manager Fees and Descriptions for Louisiana State Employees' Retirement System, Fiscal Year 1992					
	Investment Managers	Assets under Management at July 1, 1991 (Market Value)	Assets under Management at June 30, 1992 (Market Value)	Total Fees through 6/30/92	Rate of Return for FY 1992
Real Estate					
1	Equitable Real Estate	\$21,500,000	\$20,200,000	\$244,847	-6.04%
2	Heitman Advisory Corp.	0	6,000,000	(1)	n/a*
3	JMB Institutional Realty Corp.	13,800,000	12,400,000	(1)	-9.84%
4	L & B Real Estate Counsel	12,500,000	13,000,000	(1)	5.85%
5	Metropolitan Life Insurance Co.	14,600,000	14,500,000	168,550	-0.79%
6	O'Connor Group	12,200,000	10,900,000	(1)	-7.09%
7	PSI Realty	5,100,000	5,100,000	(1)	3.40%
8	TCW Realty Advisors	3,500,000	4,900,000	(1)	2.10%
	subtotal	\$0	\$0	\$413,397	
	Total	\$2,404,000,000	\$2,791,400,000	\$4,070,593	
(1) Not available; each is a separate type of business entity. Fees are netted within the fund.					
*Not available in annualized form (new allocation, etc.)					
Note: All investment managers are paid a base management fee only. No other expenses were paid.					

Investment Manager Fees and Descriptions for		
State Employees' Retirement System of Louisiana, Fiscal Year 1992		
Types of Investments, Asset Style or Classification	Fee Description	Payment Procedures
Prime property (open-end)	n/a	n/a
Fund V (closed end)	n/a	n/a
Group Trust V (closed end)	n/a	n/a
Fund IV (closed end)	n/a	n/a
Tower Fund (open end)	n/a	n/a
Retail Property Trust (closed)	n/a	n/a
Fund III (closed end)	n/a	n/a
Fund VI (closed end)	n/a	n/a
		n/a = not available

Investment Manager Fees and Descriptions for Louisiana State Employees' Retirement System, Fiscal Year 1993					
	Investment Managers	Assets under Management at July 1, 1992 (Market Value)	Assets under Management at June 30, 1993 (Market Value)	Total Fees through 6/30/93	Rate of Return for FY 1993
Fixed Income					
1	Duff and Phelps	\$595,600,000	\$542,700,000	\$128,250	12.67%
2	Invesco Capital Mgmt	300,500,000	334,100,000	257,066	11.19%
3	Morgan Stanley Asset Mgmt	0	126,600,000	66,541	n/a*
4	Internally Managed	612,600,000	0	0	-13.25%
5	Trust Co. of the West	0	309,500,000	0	-13.25%
	subtotal	\$1,508,700,000	\$1,312,900,000	\$451,857	
Domestic Equity					
1	Amerindo Investment Advisors	\$70,800,000	\$105,200,000	\$878,854	48.70%
2	Chancellor Capital Mgmt	0	148,600,000	469,346	n/a*
3	Fayez Sarofim and Co.	149,000,000	154,100,000	447,495	4.40%
4	Investment Advisors, Inc.	133,700,000	187,600,000	574,586	40.30%
5	J and W Seligman and Co.	71,600,000	74,200,000	233,235	10.80%
6	Merus Capital Mgmt	109,000,000	138,300,000	121,599	14.50%
7	Schaenen, Woods and Assoc.	48,900,000	54,200,000	150,303	10.80%
8	State Street	156,000,000	184,300,000	437,925	16.90%
9	UBS Asset Mgmt	85,700,000	96,000,000	588,230	12.10%
10	Eagle Asset Management	219,600,000	0	18,491	n/a*
	subtotal	\$1,044,300,000	\$1,142,500,000	\$3,920,064	
International Equity					
1	Brinson Partners, Inc.	\$115,600,000	\$129,600,000	\$464,441	12.10%
2	Schroder Capital Mgmt Intl	0	71,500,000	239,478	n/a*
3	Templeton Investment	122,800,000	129,200,000	568,292	5.00%
	subtotal	\$238,400,000	\$330,300,000	\$1,272,211	
Global Fixed Income					
1	Morgan Grenfell Investment Svcs	\$0	\$157,600,000	\$336,440	n/a*
2	Putnam Investment Mgmt	0	154,100,000	311,007	n/a*
	subtotal	\$0	\$311,700,000	\$647,447	
*Not available in annualized form (new allocation, etc.)					
Note: All investment managers are paid a base management fee only. No other expenses were paid.					

Investment Manager Fees and Descriptions for Louisiana State Employees' Retirement System, Fiscal Year 1993		
Types of Investment, Asset Style or Classification	Fee Description	Payment Procedures
Core fixed income	\$129,000 on assets up to \$350m; over \$350m=4 basis points	monthly/annually
Core fixed income	flat 8 basis points	monthly in arrears
Defensive fixed income	flat 11 basis points	average monthly
Fixed income/mortgages	included in custodial fees	n/a
Fixed income/mortgages	up to \$50m=35 basis points; and 25 basis points thereafter	n/a
Small cap growth equity	100 basis points in mkt value paid in arrears	quarterly in arrears
Growth equity	up to \$10m=75 basis points; next \$25m=50 basis points; next \$65m=35 basis points; next \$150m=30 basis points; next \$300m=20 basis points; and next \$450m=5 basis points	quarterly in arrears
Large cap growth equity	up to \$2m=75 basis points; next \$18m=50 basis points; next \$20m=35 basis points; and over \$60m=20 basis points	quarterly in arrears
Small cap growth equity	up to \$50m=10 basis points; next \$50m=8.75 basis points; next \$100m=6.25 basis points	quarterly in arrears
Large cap equity	up to \$200m=30 basis points	quarterly in advance
Yield equity	flat 10 basis points	monthly in arrears
Value equity	flat 29 basis points not to exceed \$1.5 million over five years	quarterly in arrears
Value equity	first \$50m=30 basis points; next \$100m=25 basis points; balance=20 basis points	average monthly
Small cap value equity	up to \$25m=75 basis points; and 60 basis points thereafter	quarterly in arrears
Large cap growth equity	\$12,500 per month before 10/01/91; flat 10 basis points thereafter	quarterly in arrears
Core equity	40 basis points paid in arrears	quarterly in arrears
Small cap equity	up to \$10m=75 basis points; and 40 basis points thereafter	average monthly
Core equity	up to \$100m=50 basis points; next \$50m=35 basis points; and 30 basis points thereafter	quarterly in advance
Global fixed income	up to \$25m=40 basis points; 30 basis points thereafter	average monthly
Global fixed income	up to \$100m=35 basis points; and 20 basis points thereafter	average monthly
	Note: m = million	

Investment Manager Fees and Descriptions for Louisiana State Employees' Retirement System, Fiscal Year 1993					
	Investment Managers	Assets under Management at July 1, 1992 (Market Value)	Assets under Management at June 30, 1993 (Market Value)	Total Fees through 6/30/93	Rate of Return for FY 1993
Real Estate					
1	Equitable Real Estate	\$20,200,000	\$19,400,000	\$233,020	-3.74%
2	Heitman Advisory Corp.	6,000,000	12,300,000	(1)	4.86%
3	JMB Institutional Realty Corp.	12,400,000	13,000,000	(1)	5.26%
4	L & B Real Estate Counsel	13,000,000	12,600,000	(1)	1.70%
5	Metropolitan Life Insurance Co.	14,500,000	14,600,000	167,223	0.52%
6	O'Connor Group	10,900,000	10,000,000	(1)	-5.76%
7	PSI Realty	5,100,000	4,900,000	(1)	-0.39%
8	TCW Realty Advisors	4,900,000	12,500,000	(1)	1.73%
	subtotal	\$87,000,000	\$99,300,000	\$400,243	
Venture Capital					
1	Hancock Venture Partners	\$0	\$1,300,000	\$80,063	n/a*
	subtotal	\$0	\$1,300,000	\$80,063	
	Total	\$2,878,400,000	\$3,198,000,000	\$6,771,885	
(1) Not available; each is a separate business entity. Fees are netted within the fund.					
*Not available in annualized form (new allocation, etc.)					
Note: All investment managers are paid a base management fee only. No other expenses were paid.					

Investment Manager Fees and Descriptions for Louisiana State Employees' Retirement System, Fiscal Year 1993		
Types of Investment, Asset Style or Classification	Fee Description	Payment Procedures
Prime property (open-end)	n/a	n/a
Fund V (closed end)	n/a	n/a
Group Trust V (closed end)	n/a	n/a
Fund IV (closed end)	n/a	n/a
Tower Fund (open end)	n/a	n/a
Retail Property Trust (clsd)	n/a	n/a
Fund III (closed end)	n/a	n/a
Fund VI (closed end)	n/a	n/a
Venture capital	value.	quarterly in arrears
	n/a = not available	

**Investment Manager Fees and Descriptions for
Louisiana School Employees' Retirement System , Fiscal Year 1992**

Investment Managers	Assets under Management at July 1, 1991 (Market Value)	Assets under Management at June 30, 1992 (Market Value)	Total Fees through 6/30/92	Rate of Return for FY 1992
Fixed Income				
1 Orleans Capital Mgmt	\$0	\$65,543,000	\$35,325	n/a*
2 Kemper Asset Mgmt Co.	169,696,000	261,561,000	242,710	15.90%
3 Morgan Stanley Asset Mgmt	169,121,000	257,316,000	239,777	15.80%
4 Hibernia National Bank (1)	170,522,000	0	100,509	n/a*
Internally Managed (2)	53,977,000	0	0	n/a*
subtotal	\$563,316,000	\$584,420,000	\$618,321	
Equity				
1 Eagle Asset Mgmt, Inc.	\$57,404,000	\$72,007,000	\$170,131	18.60%
2 Munder Capital Mgmt	67,343,000	79,732,000	193,740	11.30%
3 Chicago Group	57,113,000	57,979,000	151,702	14.30%
4 First Capital Advisors, Inc. (3)	0	21,384,000	37,360	n/a*
subtotal	\$181,860,000	\$231,102,000	\$552,933	
Total	\$745,176,000	\$815,522,000	\$1,171,254	

* Not available in annualized form (new allocations, etc.)

(1) Hibernia account distributed to Kemper, Morgan Stanley, and created Orleans.

(2) Internal funds are held by custodian to mature or be liquidated for payrolls; this adds to equity exposure.

(3) First Capital initial allocation on January 1, 1992, at termination of Chicago Group.

**Investment Manager Fees and Descriptions for
Louisiana School Employees' Retirement System, Fiscal Year 1993**

Investment Managers	Assets under Management at July 1, 1992 (Market Value)	Assets under Management at June 30, 1993 (Market Value)	Total Fees through 6/30/93	Rate of Return for FY 1993
Fixed Income				
1 Orleans Capital Mgmt	\$65,543,000	\$73,466,083	\$77,483	12.00%
2 Kemper Asset Mgmt Co.	261,561,000	256,521,721	281,497	11.00%
3 Morgan Stanley Asset Mgmt	257,316,000	252,582,952	277,244	11.30%
subtotal	\$584,420,000	\$582,570,756	\$636,224	
Equity				
1 State Street Asset Mgmt	\$57,979,000	\$102,357,408	\$267,595	18.50%
2 Eagle Asset Mgmt, Inc.	72,007,000	101,716,310	231,421	17.90%
3 Munder Capital Mgmt	79,732,000	105,630,399	253,619	12.50%
4 First Capital Advisors, Inc.	21,384,000	23,745,826	104,983	11.90%
subtotal	\$231,102,000	\$333,449,943	\$857,618	
Total	\$815,522,000	\$916,020,699	\$1,493,842	

Note: All investment managers are paid a base management fee. No other expenses were paid.

Investment Manager Fees and Descriptions for Louisiana School Employees' Retirement System, Fiscal Year 1992		
Types of Investments, Asset Style or Classification	Fee Description	Payment Procedures
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Tower Cash Reserve Fund	n/a	n/a
Rotational - equity	flat 25 basis points	quarterly in arrears
Growth equity	flat 25 basis points	quarterly in arrears
Value equity	flat 25 basis points	quarterly in arrears
Growth equity	flat 55 basis points in 3rd quarter of FY92; flat 45 basis points in 4th quarter of FY 92	quarterly in arrears

Investment Manager Fees and Descriptions for Louisiana School Employees' Retirement System, Fiscal Year 1993		
Types of Investments or Functions	Fee Description	Payment Procedures
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Fixed income	flat 11 basis points	quarterly in arrears
Value equity	flat 30 basis points	quarterly in arrears
Rotational - equity	flat 25 basis points	quarterly in arrears
Growth equity	flat 25 basis points	quarterly in arrears
Growth equity	flat 45 basis points	quarterly in arrears

**Investment Manager Fees and Descriptions for
State Police Pension and Retirement System, Fiscal Year 1992**

	Investment Managers	Assets under Management at July 1, 1991 (Market Value)	Assets under Management at June 30, 1992 (Market Value)	Total Fees through 6/30/92	Rate of Return for FY 1992
Fixed Income					
	1 Premier Bank & Trust	\$25,259,859	\$33,023,695	\$29,150	16.60%
	subtotal	\$25,259,859	\$33,023,695	\$29,150	
Equity					
	1 Schaenen Wood Assoc. Inc.	\$6,809,068	\$12,220,911	\$53,085	9.90%
	subtotal	\$6,809,068	\$12,220,911	\$53,085	
	Total	\$32,068,927	\$45,244,606	\$82,235	

**Investment Manager Fees and Descriptions for
State Police Pension and Retirement System, Fiscal Year 1993**

	Investment Managers	Assets under Management at July 1, 1992 (Market Value)	Assets under Management at June 30, 1993 (Market Value)	Total Compensation Paid through June 30, 1993	Rate of Return for FY 1993
Fixed Income					
	1 Premier Bank & Trust	\$33,023,695	\$39,148,440	\$38,138	11.40%
	subtotal	\$33,023,695	\$39,148,440	\$38,138	
Equity					
	1 Schaenen Wood Assoc. Inc.	\$12,220,911	\$15,183,127	\$78,300	13.10%
	2 Faye Sarofim & Co.	\$0	\$6,914,435	\$11,500	n/a*
	subtotal	\$12,220,911	\$22,097,562	\$89,800	
	Total	\$45,244,606	\$61,246,002	\$127,938	

* Not available in annualized form (new allocation, etc.)

Note: All investment managers are paid a base management fee. No other expenses were paid.

Investment Manager Fees and Descriptions for State Police Pension and Retirement System, Fiscal Year 1992		
Types of Investments, Asset Style or Classification	Fee Description	Payment Procedures
Fixed income and cash	up to \$5m=.25%; next \$5m=.13%; over \$10m=.10%	quarterly
Growth equity	first \$20m=.55%	quarterly

Investment Manager Fees and Descriptions for State Police Pension and Retirement System, Fiscal Year 1993		
Types of Investments, Asset Style or Functions	Fee Description	Payment Procedures
Fixed income and cash	up to \$5m=.25%; next \$5m=13 basis points; over \$10m=10	quarterly
Growth equity	up to \$20m=55 basis points	quarterly
Value equity	up to \$2m=75 basis points; next \$18m=50 basis points; next \$20m=40 basis points; next \$20m=35 basis points	quarterly
Note: m = million		

Appendix C

Investment Survey Blank Copy

STATE OF LOUISIANA - OFFICE OF LEGISLATIVE AUDITOR
Survey of Investment Management of Retirement Systems

System Name: _____
 Person Completing Survey: _____
 Title: _____ Phone: () _____
 Address: _____

1. Who approves the system's investment policies? _____
2. Who monitors the performance of **internal** investment managers? _____
3. The final decision to allow an internal investment manager to invest in a particular type of investment is made by _____.
4. Who monitors the performance of **external** investment managers? _____
5. The final decision to allow an external investment manager to invest in a particular type of investment is made by _____.

6. **Actual Asset Allocation for Fiscal Year 1992** (Must add up to 100 percent)

Fixed Income (domestic) _____ %	Fixed Income (foreign) _____ %	
Equity (domestic) _____ %	Equity (foreign) _____ %	
Short-term and Cash _____ %	Other _____ %	
Venture Capital _____ %	Other _____ %	
Real Estate _____ %	TOTAL.....	100%

7. Does your system employ an internal or external investment **consultant**, or both? _____

- a. If you employ internal consultant(s), how many? _____
 What was the **total** compensation for each during fiscal year 1992? \$ _____

Salary \$ _____	Travel Costs \$ _____	
Commissions \$ _____	Out-of-pocket expenses \$ _____	

- b. If you contract with external consultant(s), how many? _____
 What was the **total** compensation for each during fiscal year 1992? \$ _____
 (Please attach an additional sheet, if needed.)

Fee \$ _____	Travel Costs \$ _____	
Commissions \$ _____	Out-of-pocket expenses \$ _____	

8. What, if any, legal restrictions or policy restrictions have been placed on how your system makes its investments? Please explain or provide an attachment.

9. Did your system experience any extraordinary gains or losses during fiscal year 1992? If so, please explain.

10. How many **custodians** does your system use? _____

What was the total compensation for custodians for fiscal year 1992? \$ _____

STATE OF LOUISIANA - OFFICE OF LEGISLATIVE AUDITOR
Survey of Investment Management of Retirement Systems

11. Time Weighted Rate of Return:

FY 88 _____% FY 89 _____% FY 90 _____% FY 91 _____% FY 92 _____% FY 93 _____%

12. Internally Managed Investments for Fiscal Year 1992

Type of Investment	Market Value of Assets Under Management Ending Fiscal Year 1992	Number of Internal Investment Managers	Total Compensation	Time Weighted Rate of Return
Fixed Income - Domestic	\$		\$	%
Fixed Income- Foreign				
Equity - Domestic				
Equity - Foreign				
Short-Term				
Real Estate				
Venture Capital				
Other _____				
Other _____				
TOTAL				*

* Overall rate of return for internal investments for fiscal year 1992 was _____ %.

13. Externally Managed Investments for Fiscal Year 1992

Type of Investment	Market Value of Assets Under Management Ending Fiscal Year 1992	Number of External Investment Managers	Total Compensation	Time Weighted Rate of Return
Fixed Income - Domestic	\$		\$	%
Fixed Income- Foreign				
Equity - Domestic				
Equity - Foreign				
Short-Term				
Real Estate				
Venture Capital				
Other _____				
Other _____				
TOTAL				*

* Overall rate of return for external investments for fiscal year 1992 was _____ %.

Thank You For Your Response. Please return this survey by February 25, 1994 to:
Rakesh Mohan, Senior Performance Auditor; Louisiana Office of Legislative Auditor
Post Office Box 94397; Baton Rouge, Louisiana 70804-9397
Phone: (504) 339-3836 or FAX (504) 342-3716